

FOLLOWUP TESTIMONY FROM AMERICAN INSURANCE ASSOCIATION

AND SURETY & FIDELITY ASSOCIATION OF AMERICA

Re: Montana State Auditor's Proposed Amendments to HB 160

Senate Business, Labor, and Economic Affairs Committee

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March 4, 2009

The bill currently proposes to amend 33-28-102, MCA, to permit a captive insurance company to apply to the Commissioner for a license to write surety insurance. The Committee inquired **how many other states permit captives to write surety.**

The laws of Vermont, Hawaii, South Carolina, and Hawaii, the major captive domiciles, all permit captives to write most every property-casualty line of insurance.

Based upon information from the Vermont Director of Captive Insurance in the Banking and Insurance Department, Vermont does have one or two captives that write bonds for their parent company. They generally are pure captives whose parent is a contractor. Vermont requires the parent to be large and very well capitalized. Vermont has not been willing to authorize many captives to write surety for the reasons included in my testimony at the hearing.

AIA is unaware of any captive that actually writes surety in the other identified states, even if the state law permits it.

AIA and SFAA remains concerned about authorizing the practice in Montana for the reasons outlined in my hearing testimony, even if the other four states permit it on an extremely limited basis.